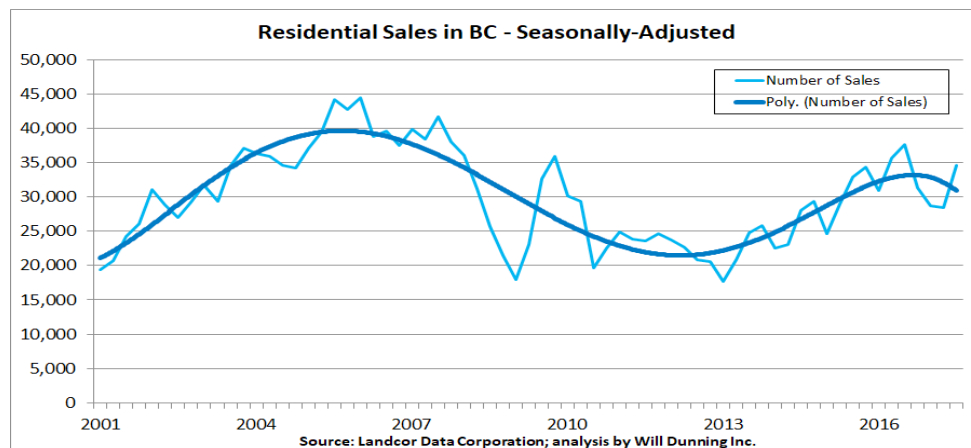


Report prepared by economist WILL DUNNING. Views expressed by Will Dunning are his own and do not necessarily represent those of Landcor Data Corporation. Will Dunning operates a consulting firm that specializes in analysis of housing markets.

BC Housing Market Overview

A strengthening economy is contributing to improved housing demand in BC. Even with a jump in sales in the third quarter, the sales trend (shown by the line labelled "Poly.") is still below the level of a year ago, and is substantially below the pre-recession peak.

Figure 1



Taking a quick look at some key factors:

Job creation (see Figure 3) has been relatively strong during the past five years, and has strengthened further during the past two years. The rate of growth has not returned to the pre-recession peak, but that was arguably a period of unsustainable over-heating. Job growth is now quite healthy and this in itself is favourable for sustained housing demand. The healthy provincial economy supported the gradual sales growth that happened during 2014 to 2016. And, it is now supporting a recovery from the foreign buyers' tax.

(The chart of employment growth uses data from Statistics Canada's Survey of Employment, Payrolls and Hours, as the data from the more widely-utilized labour Force Survey is less reliable.)

The positive effects of this job creation should continue to build. There are, however, two emerging negative factors.

- Mortgage interest rates increased during the summer (see Figure 2), to 3.0% by the end of the third quarter. Additional rises have brought the typical rate for 5-year fixed rate mortgages to 3.4% as of late November (up by about three-quarters of a point from the lows seen during 2016). Rates for variable rate mortgages have also increased by 0.4 to 0.5 points. At present, home buyers are still able to take advantage of lower pre-approved rates, but once this effect is complete, sales could fall by 5-10%.

BC Housing Market Overview (cont'd)

- The second negative factor is that the Office of the Superintendent of Financial Institutions (“OSFI”) now requires that all non-insured mortgages by federally-regulated lenders must be stress-tested at the higher of the contract mortgage rate plus 2 points or the posted rate published by the Bank of Canada. Combining this with the stress test that is already required for insured mortgages, about 80% of all home purchases will be subject to a stress test. This combined requirement is likely to reduce home-buying, also by 5-10%.

The combination of two dampening factors is likely to reduce home sales by 10-15%.

Figure 2

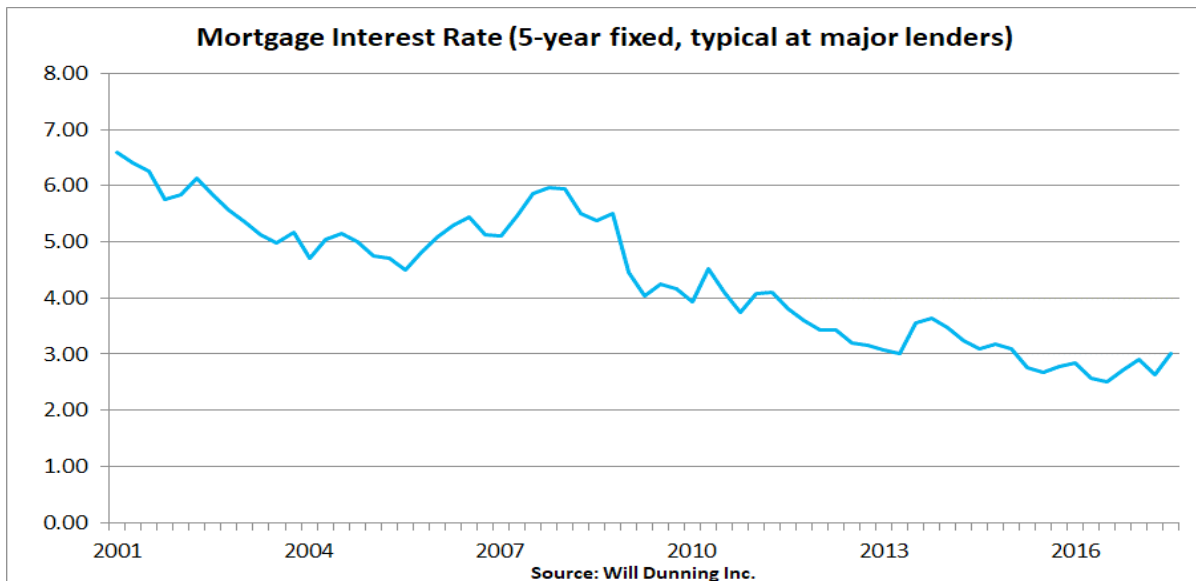
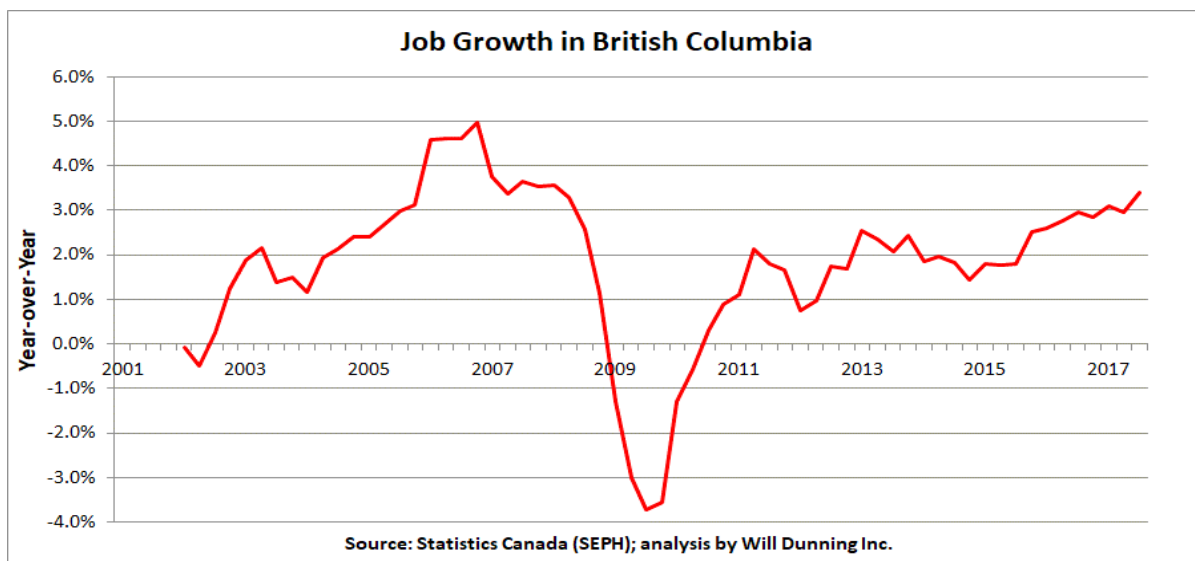


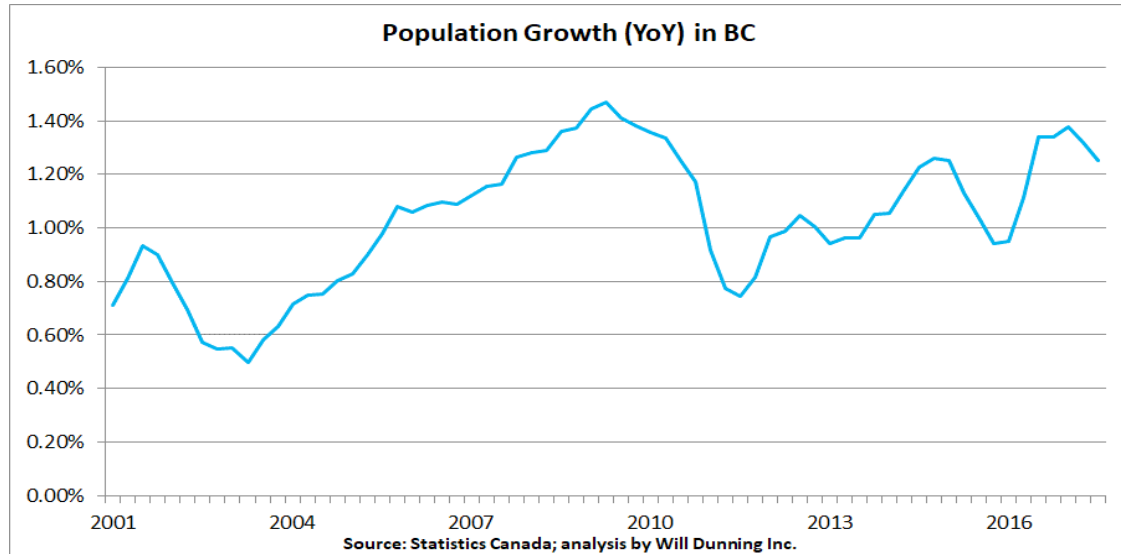
Figure 3



BC Housing Market Overview (cont'd)

Population growth has also strengthened, although estimates from Statistics Canada suggest that the growth rate is still below the pre-recession level (see Figure 4). This also helps to explain why housing activity is still below the pre-recession peak.

Figure 4



While the economic fundamentals are currently quite positive for housing markets in BC (especially the impressive rates of job creation and population), it is difficult to be strongly optimistic about the outlook for 2018.

- It appears that the foreign buyers' tax continues to have a dampening effect.
- Increased mortgage interest rates will soon start to weigh on home buying.
- The duo of mortgage stress tests is likely to have a similar dampening effect.

These factors probably won't have much impact on the fourth quarter numbers, which could be impressive. But, the first and second quarters of 2018 may bring a slowdown.





Census Data on Home Ownership in British Columbia

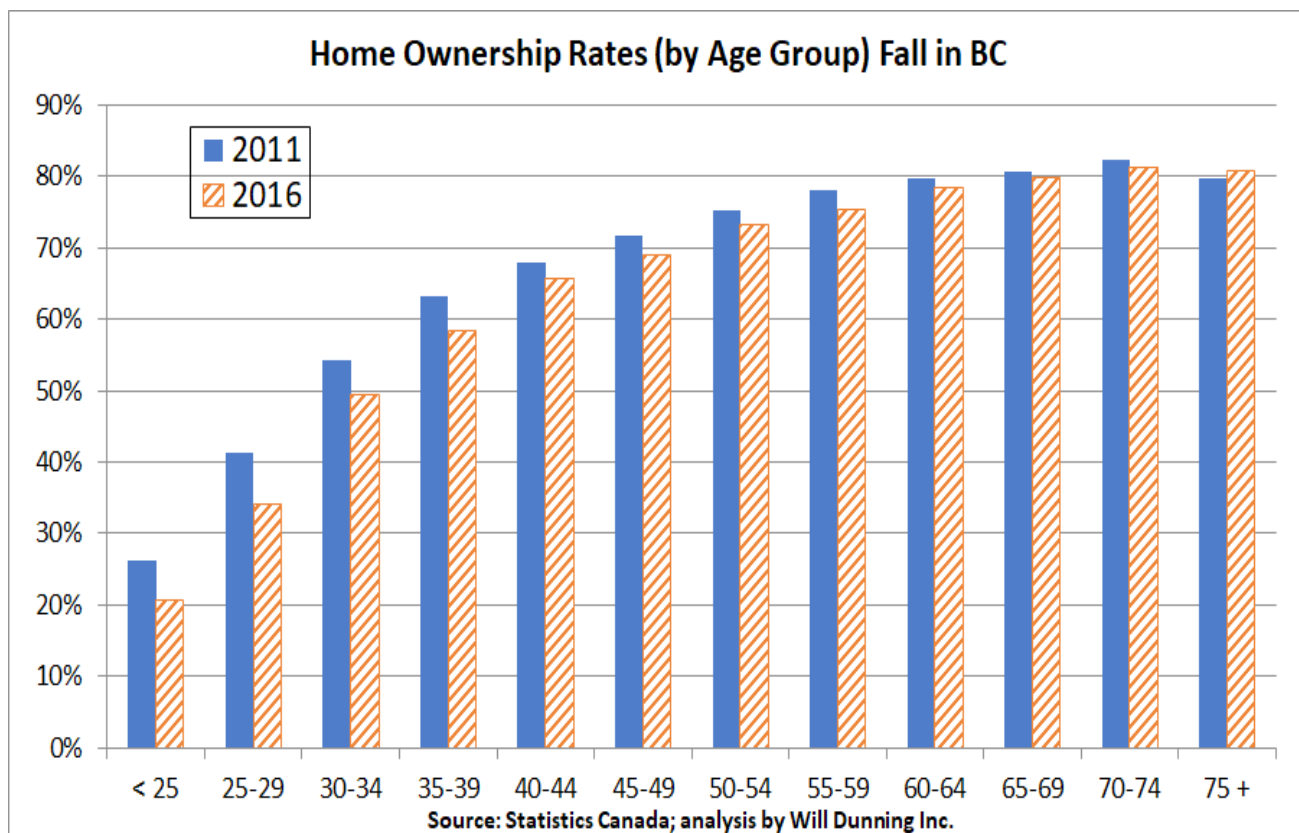
More data has been released from the 2016 Census.

The data on housing tenures (owning versus renting) shows that the home ownership rate in Canada has fallen, from 69.0% in 2011 to 67.8% in 2016 (a drop of 1.2 percentage points). The ownership rates fell in all provinces except for Quebec (which eked-out a meagre gain of just 0.1 point). The largest drop was in Prince Edward Island (3.2 points).

In BC, the ownership rate fell by more than the national average, from 70.0% in 2011 to 68.0%, a reduction of 2.0 points.

As is shown in the chart, for BC ownership rates fell for all of the age groups except for 75 and older. The reductions were extremely large for all of the age groups under 40 years, as first-time buyers are finding it increasingly difficult to get into home ownership.

Figure 5



Paradoxically, low interest rates are partly responsible for this disappointing change.

- Exceptionally low interest rates created “affordability space”, which provided a lot of room for house prices to increase, if local market circumstances permit.
- In many of BC’s local market areas, housing supply did not keep up with demand.
- Higher house prices mean that larger down payments are needed, and it takes longer to save the required amounts. Many potential first-time buyers have been forced to delay (unless they can get help from other sources, especially the Bank of Mom and Dad).
- With prices continuing to rise rapidly, the down payment challenge is getting even worse.

Another challenge for potential first-time buyers is that changes in mortgage rules have reduced the amounts they can borrow. Prior to the 2016 Census, there were five sets of changes to mortgage insurance rules. Since the Census, there have been two more rule changes – the stress test for insured mortgages, in late 2016 and now a stress test for most uninsured mortgages that takes effect January 1, 2018. In combination, the two stress tests will mean that for about 16% of all prospective home buyers, the amounts they are allowed to borrow will be less than they can afford to borrow (based on their actual interest rates).

It is highly likely that these combined pressures, from the housing market and from government policy, will cause further reductions of home ownership rates during the next few years.

More information on these policy changes is available in a report for Mortgage Professionals Canada (“Annual State of the Residential Mortgage Market in Canada”), which will be released on or about December 5. That report will be available at <https://mortgageproscan.ca/en/> and on my personal website.





Home Ownership Rates Around the Province

The table below takes a quick look at changes in home ownership rates in the urban areas of BC. The data shows that ownership rates fell in almost all areas. The only substantive rise was seen in Salmon Arm (1.5 points). A few communities saw only small changes in their rates (Squamish, Port Alberni, and Prince Rupert). In most cases there were substantial reductions. In short, the shift away from home ownership was not restricted to just the largest or most expensive communities.

<i>Home Ownership Rates in Urban Areas of British Columbia</i>			
<i>Area</i>	<i>2011</i>	<i>2016</i>	<i>Change (Percentage Points)</i>
Cranbrook	80.0%	77.2%	-2.8
Penticton	69.8%	68.3%	-1.5
Kelowna	76.2%	73.3%	-2.9
Vernon	76.3%	74.7%	-1.6
Salmon Arm	75.9%	77.4%	1.5
Kamloops	75.1%	73.7%	-1.3
Chilliwack	76.3%	75.1%	-1.2
Abbotsford - Mission	75.4%	71.6%	-3.9
Vancouver	65.5%	63.7%	-1.8
Squamish	72.4%	72.6%	0.2
Victoria	65.1%	62.6%	-2.5
Duncan	75.9%	73.1%	-2.8
Nanaimo	73.5%	69.8%	-3.8
Parksville	85.0%	81.9%	-3.1
Port Alberni	73.4%	73.3%	-0.1
Courtenay	76.6%	75.3%	-1.3
Campbell River	75.7%	72.8%	-2.9
Powell River	77.8%	76.1%	-1.6
Williams Lake	72.8%	71.1%	-1.7
Quesnel	76.8%	76.2%	-0.7
Prince Rupert	60.4%	60.3%	-0.1
Terrace	71.3%	70.7%	-0.6
Prince George	73.2%	72.2%	-1.0
Dawson Creek	64.1%	60.6%	-3.5
Fort St. John	68.1%	67.8%	-0.4
British Columbia	70.0%	68.0%	-2.0
Source: Statistics Canada; calculations by Will Dunning Inc.			

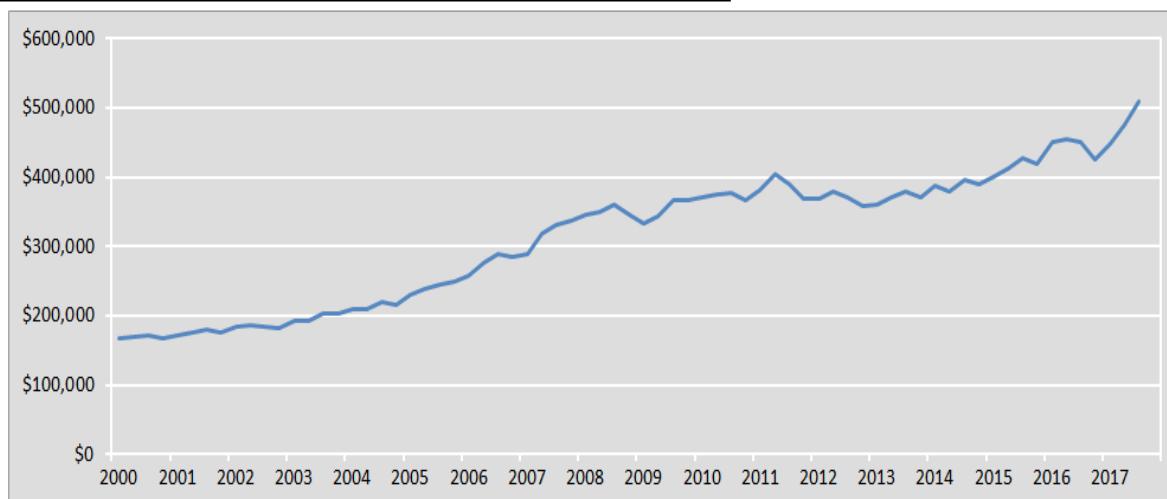
Will Dunning has been analyzing housing markets since 1982. His consulting firm provides custom analysis to clients in the private, public, and non-governmental sectors. His website is www.wdunning.com

BC Residential Sales Summary for Q3, 2017

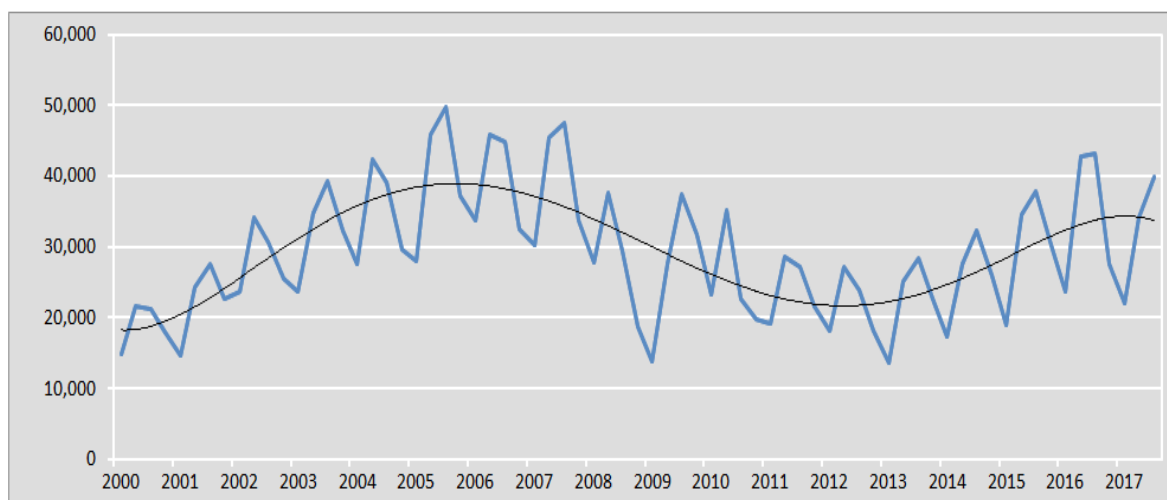
British Columbia - All

Quarterly Sales		Q3 2017	Q2 2017	% Chg ¹	Q3 2016	% Chg ²
Number of Sales		39,817	34,302	16.08%	43,535	-8.54%
Total Value of Sales		\$27.31B	\$23.08B	18.29%	\$28.90B	-5.50%
Detached	Average	\$911,617	\$882,982	3.24%	\$895,698	1.78%
	Median	\$690,476	\$650,000	6.23%	\$630,000	9.60%
Condo	Average	\$494,824	\$477,193	3.69%	\$448,797	10.26%
	Median	\$420,000	\$399,250	5.20%	\$365,000	15.07%
Attached	Average	\$597,282	\$573,249	4.19%	\$526,249	13.50%
	Median	\$525,000	\$486,000	8.02%	\$437,500	20.00%

Median Sale Prices/BC All



Sales Counts/BC All



Region: Greater Vancouver

Quarterly Sales		Q3 2017	Q2 2017	% Chg ¹	Q3 2016	% Chg ²
Number of Sales		17,025	14,307	19.00%	18,315	-7.04%
Total Value of Sales		\$16.36B	\$14.09B	16.16%	\$17.73B	-7.69%
Detached	Average	1,615,223	1,594,822	1.28%	\$1,649,703	-2.09%
	Median	1,300,000	1,285,357	1.14%	\$1,290,000	0.78%
Condo	Average	581,069	569,112	2.10%	\$526,165	10.43%
	Median	499,000	482,000	3.53%	\$434,755	14.78%
Attached	Average	786,152	769,363	2.18%	\$692,855	13.47%
	Median	672,500	635,000	5.91%	\$578,000	16.35%

Monthly Sales		September	August	% Chg ¹	July	% Chg ³
Number of Sales		5,005	6,386	-21.63%	5,634	13.35%
Total Value of Sales		\$4.73B	\$5.93B	-20.25%	\$5.70B	4.11%
Detached	Average	1,730,708	1,545,889	11.96%	\$1,604,630	-3.66%
	Median	1,311,000	1,300,000	0.85%	\$1,305,600	-0.43%
Condo	Average	565,521	574,576	-1.58%	\$605,081	-5.04%
	Median	487,950	489,900	-0.40%	\$521,444	-6.05%
Attached	Average	779,890	797,116	-2.16%	\$780,334	2.15%
	Median	661,000	682,000	-3.08%	\$674,800	1.07%

Region: Vancouver Island

Quarterly Sales		Q3 2017	Q2 2017	% Chg ¹	Q3 2016	% Chg ²
Number of Sales		7,193	6,581	9.30%	8,387	-14.24%
Total Value of Sales		\$3.71B	\$3.18B	16.57%	\$3.90B	-4.95%
Detached	Average	630,829	591,059	6.73%	\$563,075	12.03%
	Median	546,000	524,405	4.12%	\$485,000	12.58%
Condo	Average	356,004	348,789	2.07%	\$319,571	11.40%
	Median	325,000	322,000	0.93%	\$280,000	16.07%
Attached	Average	430,410	426,770	0.85%	\$388,170	10.88%
	Median	385,000	380,000	1.32%	\$340,000	13.24%

Monthly Sales		September	August	% Chg ¹	July	% Chg ³
Number of Sales		2,172	2,638	-17.66%	2,383	10.70%
Total Value of Sales		\$1.08B	\$1.40B	-22.69%	\$1.23B	12.98%
Detached	Average	627,772	637,644	-1.55%	\$626,002	1.86%
	Median	528,000	563,500	-6.30%	\$547,500	2.92%
Condo	Average	352,613	357,680	-1.42%	\$357,568	0.03%
	Median	325,000	326,750	-0.54%	\$320,000	2.11%
Attached	Average	437,963	434,435	0.81%	\$418,714	3.75%
	Median	387,500	385,100	0.62%	\$377,000	2.15%

Region: Kootenay

Quarterly Sales		Q3 2017	Q2 2017	% Chg ¹	Q3 2016	% Chg ²
Number of Sales		1,543	1,277	20.83%	1,248	23.64%
Total Value of Sales		\$441.96M	\$358.59M	23.25%	\$347.28M	27.26%
Detached	Average	362,778	351,492	3.21%	\$346,914	4.57%
	Median	325,000	328,000	-0.91%	\$319,500	1.72%
Condo	Average	182,600	197,259	-7.43%	\$170,820	6.90%
	Median	174,850	173,809	0.60%	\$164,950	6.00%
Attached	Average	286,310	283,337	1.05%	\$294,586	-2.81%
	Median	273,000	260,625	4.75%	\$266,000	2.63%

Monthly Sales		September	August	% Chg ¹	July	% Chg ³
Number of Sales		496	585	-15.21%	462	26.62%
Total Value of Sales		\$142.97M	\$171.56M	-16.66%	\$127.43M	34.63%
Detached	Average	371,261	375,084	-1.02%	\$339,361	10.53%
	Median	315,000	345,000	-8.70%	\$315,000	9.52%
Condo	Average	198,858	176,476	12.68%	\$169,319	4.23%
	Median	208,500	162,000	28.70%	\$151,950	6.61%
Attached	Average	274,183	290,050	-5.47%	\$296,613	-2.21%
	Median	270,000	275,000	-1.82%	\$260,000	5.77%

Region: Okanagan

Quarterly Sales		Q3 2017	Q2 2017	% Chg ¹	Q3 2016	% Chg ²
Number of Sales		6,374	5,619	13.44%	7,079	-9.96%
Total Value of Sales		\$2.76B	\$2.31B	19.32%	\$2.88B	-4.09%
Detached	Average	565,766	528,737	7.00%	\$523,095	8.16%
	Median	505,000	475,000	6.32%	\$465,000	8.60%
Condo	Average	307,126	299,242	2.63%	\$289,784	5.98%
	Median	287,500	281,125	2.27%	\$262,500	9.52%
Attached	Average	376,106	360,803	4.24%	\$349,073	7.74%
	Median	355,000	337,250	5.26%	\$321,950	10.27%

Monthly Sales		September	August	% Chg ¹	July	% Chg ³
Number of Sales		1,960	2,355	-16.77%	2,059	14.38%
Total Value of Sales		\$0.84B	\$1.02B	-17.02%	\$0.90B	13.75%
Detached	Average	571,037	559,647	2.04%	\$567,844	-1.44%
	Median	508,400	503,500	0.97%	\$504,000	-0.10%
Condo	Average	304,899	307,111	-0.72%	\$309,522	-0.78%
	Median	282,500	291,000	-2.92%	\$280,000	3.93%
Attached	Average	388,341	378,715	2.54%	\$362,095	4.59%
	Median	376,190	345,000	9.04%	\$349,960	-1.42%

Region: Fraser Valley

Quarterly Sales		Q3 2017	Q2 2017	% Chg ¹	Q3 2016	% Chg ²
Number of Sales		5,571	4,554	22.33%	6,433	-13.40%
Total Value of Sales		\$3.51B	\$2.67B	31.37%	\$3.56B	-1.52%
Detached	Average	867,130	789,188	9.88%	\$736,582	17.72%
	Median	752,000	700,050	7.42%	\$656,000	14.63%
Condo	Average	269,300	258,089	4.34%	\$226,625	18.83%
	Median	262,650	251,303	4.52%	\$222,700	17.94%
Attached	Average	475,355	440,121	8.01%	\$399,968	18.85%
	Median	469,450	425,500	10.33%	\$384,003	22.25%

Monthly Sales		September	August	% Chg ¹	July	% Chg ³
Number of Sales		1,611	2,037	-20.91%	1,923	5.93%
Total Value of Sales		\$1.01B	\$1.31B	-22.68%	\$1.18B	10.51%
Detached	Average	882,019	880,626	0.16%	\$841,633	4.63%
	Median	750,000	770,000	-2.60%	\$747,000	3.08%
Condo	Average	282,761	266,329	6.17%	\$261,909	1.69%
	Median	277,500	259,900	6.77%	\$256,300	1.40%
Attached	Average	481,447	482,377	-0.19%	\$461,552	4.51%
	Median	480,000	480,000	0.00%	\$454,480	5.62%

Region: BC North / NW

Quarterly Sales		Q3 2017	Q2 2017	% Chg ¹	Q3 2016	% Chg ²
Number of Sales		2,111	1,964	7.48%	2,073	1.83%
Total Value of Sales		\$0.53B	\$476.33M	11.01%	\$484.73M	9.09%
Detached	Average	310,889	301,719	3.04%	\$291,858	6.52%
	Median	294,500	284,000	3.70%	\$274,000	7.48%
Condo	Average	170,049	110,014	54.57%	\$137,105	24.03%
	Median	182,250	85,000	114.41%	\$93,000	95.97%
Attached	Average	239,560	229,003	4.61%	\$210,558	13.77%
	Median	255,000	230,000	10.87%	\$213,500	19.44%

Monthly Sales		September	August	% Chg ¹	July	% Chg ³
Number of Sales		689	742	-7.14%	680	9.12%
Total Value of Sales		\$167.21M	\$184.80M	-9.52%	\$176.78M	4.53%
Detached	Average	305,129	310,196	-1.63%	\$316,950	-2.13%
	Median	287,500	292,500	-1.71%	\$300,000	-2.50%
Condo	Average	199,996	134,730	48.44%	\$97,217	38.59%
	Median	239,769	140,000	71.26%	\$73,500	90.48%
Attached	Average	231,912	250,382	-7.38%	\$239,063	4.73%
	Median	243,000	260,500	-6.72%	\$240,000	8.54%

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- Geographic location data used in reports

Rudy Nielsen, R.I., F.R.I
President



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